



THIRD QUARTER FY2019-20 FINANCIAL PROJECTION

CITY COUNCIL MEETING

Keith DeMartini, Finance Director

May 12, 2020

Objective



- Receive Quarter 3 Financial Update Report as of March 31, 2020 (No Action)
- Adopt Resolution Amending FY2019-20 Operating and Capital Improvement Budget by Approving Budget Balancing Strategies (Action Required)
- Provide preliminary FY2020-21 General Fund Budget Deficit Update as the City looks to recovery options

Agenda



1. General Fund Budget Overview
2. Third Quarter FY2019-20 Financial Projection
 - General Fund
 - Enterprise Funds
 - Internal Service Funds
3. FY2020-21 Preliminary General Fund Budget
4. City Council Discussion and Direction

Fiscal Operating Year



- The City's FY2019-20 fiscal year begins on July 1, 2019 and ends on June 30, 2020.

Fiscal Quarter	Months
Q1	July 2019 – September 2019
Q2	October 2019 – December 2019
Q3	January 2020 – March 2020
Q4	April 2020 – June 2020



FY2019-20 General Fund Budget Overview

FY2019-20 General Fund Adopted Budget Overview

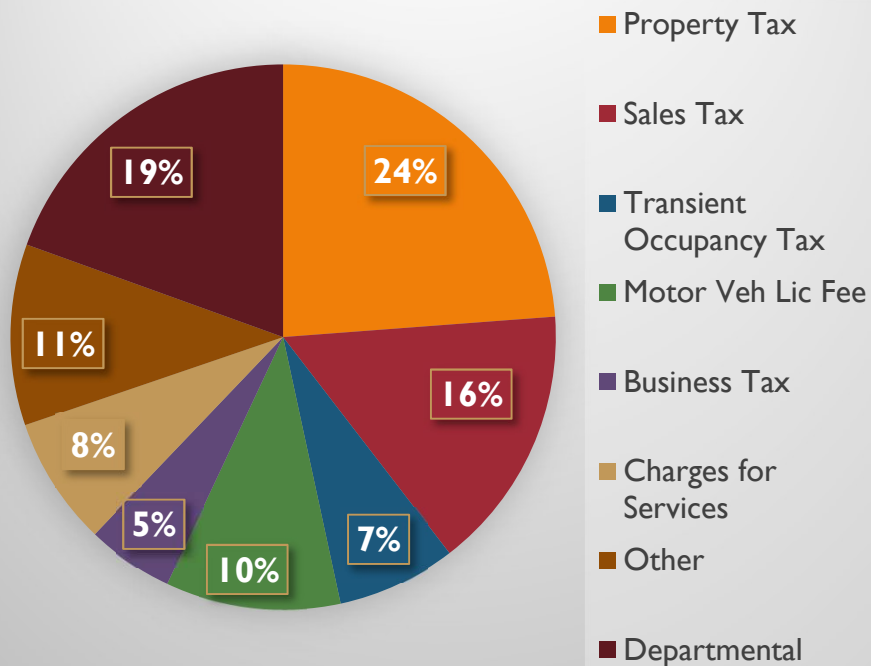


Item	FY2018-19 Adopted Budget	FY2019-20 Adopted Budget
Revenues	\$46,110,332	\$50,111,247
<u>Expenditures</u>	<u>47,881,053</u>	<u>50,436,351</u>
Deficit	(1,770,721)	(325,103)
<u>Use of Fund Balance</u>	<u>1,770,721</u>	<u>325,103</u>
Balanced Budget	\$0	\$0

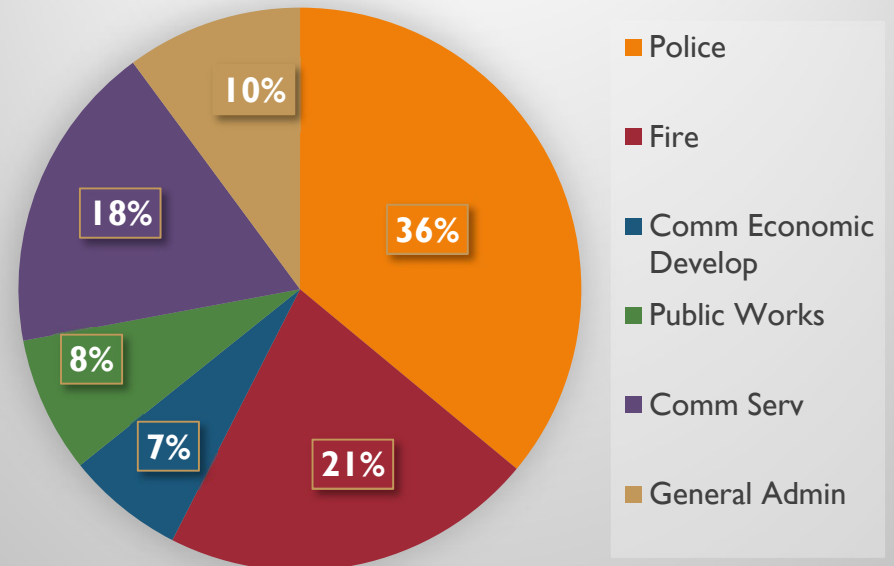
FY2019-20 General Fund Adopted Budget Overview



Revenues



Expenditures





FY2019-20 General Fund Updates

Mid-Year Financial Update (Pre COVID-19)



- After Quarter 2, and before the impacts of COVID-19, a **\$4.2M** revenue shortfall was projected
 - Sales tax, motor vehicle license fee, business licenses tax and building permit fee revenue reductions
- City Council approved budget balancing strategies totaling **\$3.7M**
 - Delay and de-appropriate capital projects and reduce operating expenses
- Remaining **\$500K** deficit would be addressed during the Quarter 3 report

Additional Budget Changes (COVID-19)



The table below summarizes the projected fiscal impacts to the City's FY2019-20 budget directly related to COVID-19.

General Fund Impact	Projected Impact FY2019-20
Revenue Loss	\$3,014,000
Department Operating Expense Savings from Reducing Services & Shelter-In-Place Order	(680,000)
Projected Expenses related to COVID-19 Response Efforts through June 30	341,300
Total	\$2,675,300

Other FY2019-20 Budget Changes



- ▲ Beginning fund balance improvement - \$358K
- ▲ Motor Vehicle License Fee revised projection - \$832K
- ▲ Higher investment interest earnings - \$150K
- ▲ Expenditure Savings - \$2M
 - Reduced election costs
 - Salary and fringe expense savings from vacant positions
 - Materials, supplies, equipment, vehicles, contracts and services expense reductions

Est. Actual Budget Deficit in FY2019-20



General Fund Impact	FY2019-20 Estimated Actual
Projected Deficit at the Mid-Year Report	(\$500,000)
COVID-19 Revenue Loss	(3,014,000)
COVID-19 Operating Expense Savings	680,000
Motor Vehicle License Fee Revised Projection	832,000
Other Expenditure Savings & Revenue Projection Changes	731,590
Projected Deficit at Quarter 3 Report	(\$1,270,410)

- ▲ Deficit is recommended to be resolved by the use of available unappropriated fund balance

Quarter 3 General Fund Projection



General Fund	FY2019-20 Amended Budget *	FY2019-20 Estimated Actual
Beginning Fund Balance	\$2,798,305	\$2,798,305
Revenues	52,906,331	47,502,624
Expenditures	<u>50,776,798</u>	<u>48,773,034</u>
Surplus/(Deficit)	2,129,533	(1,270,410)
Ending Fund Balance	\$4,927,838	\$1,527,895

**It is important to note that the Amended Budget includes negative adjustments to expenditures and not adjustments to projected revenues. This results in the appearance of a higher than projected ending fund balance. Final revenue estimates are shown in the Estimated Actual column, which provides the best illustration of projected revenues, expenditures, and the ending fund balance.*

FY2019-20 Financial Projection

General Fund Revenues



	FY2019-20				
Revenue	Amended Budget	YTD as of 3/31/20	% of Budget	Year End Estimate	Change from Budget
Property Tax	\$11,926,360	\$7,626,914	64%	\$11,913,590	(\$12,770)
Sales Tax	7,892,000	4,960,179	63%	6,780,059	(1,111,941)
Hotel/Motel Occupancy Tax (TOT)	3,540,275	2,324,388	66%	2,902,300	(637,975)
Motor Vehicle License Fee	5,202,000	2,108,183	41%	5,013,326	(188,674)
Regulatory (Card Room) Tax	1,960,147	1,974,980	101%	1,974,980	14,833
Business Taxes	2,577,020	1,894,550	74%	1,908,000	(669,020)
Franchise Fees	1,903,000	1,046,377	55%	1,855,560	(47,440)
Use of Money and Property	961,691	1,001,700	104%	1,022,647	60,956
Charges for Services	3,826,636	2,923,204	76%	3,826,634	(2)
Recoveries & One-time	3,350,083	85,054	3%	4,699,741	1,349,658
Departmental Revenues	9,767,119	5,160,674	53%	5,605,787	(4,161,332)
Total General Fund Revenues	\$52,906,331	\$31,106,317	59%	\$47,502,624	(\$5,403,707)

FY2019-20 Financial Projection

General Fund Expenditures



	FY2019-20				
Expenditures	Amended Budget	YTD as of 03/31/20	% of Budget	Year End Estimate	Change from Budget
Police	\$19,620,149	\$14,722,423	75%	\$18,736,270	\$883,879
Fire	11,611,019	8,829,584	76%	11,474,003	137,016
General Administration	5,669,260	4,044,126	63%	5,239,024	430,236
Parks	3,310,852	2,176,758	66%	2,959,401	351,451
Public Works	4,184,643	3,294,218	79%	4,231,388	(46,745)
Library	2,513,494	1,923,879	77%	2,395,387	118,107
Recreation	2,548,630	1,839,756	72%	2,208,147	340,483
Community & Economic Dev	3,715,469	2,793,448	76%	3,592,966	122,503
Senior Services	1,329,327	966,510	73%	1,229,964	99,363
Non-Departmental	(3,726,046)	(2,539,699)	68%	(3,293,516)	(432,530)
Total General Fund Expenditures	\$50,776,798	\$38,051,003	75%	\$48,773,034	\$2,003,764



FY2019-20 Enterprise & Internal Service Fund Budget Updates

FY2019-20 Financial Projection

Enterprise Funds



	FY2019-20			FY2018-19	
	Amended Budget	YTD as of 03/31/20	% of Budget	YTD as of 03/31/19	% of Budget
Water Enterprise					
Revenue	\$16,583,260	\$11,784,697	71%	\$11,548,943	73%
Expenditure	10,242,244	6,819,757	67%	6,293,324	66%
Wastewater Enterprise					
Revenue	\$18,621,632	\$12,729,520	68%	\$12,641,783	72%
Expenditure	9,145,696	6,824,434	75%	5,371,108	61%
CityNet Services Enterprise					
Revenue	\$9,907,120	\$6,891,693	70%	\$7,369,588	67%
Expenditure	9,458,819	6,852,216	72%	7,553,739	68%
Stormwater Enterprise					
Revenue	\$679,000	\$436,746	64%	\$429,488	46%
Expenditure	1,229,045	778,105	63%	731,671	46%

City Net Services Summary



City Net Services	FY2018-19 Actual	FY2019-20 Adopted Budget	FY2019-20 Year End Estimate	Change from Adopted Budget
Revenues	\$9,737,497	\$9,907,120	\$9,591,730	(\$315,390)
Expenditures	11,298,966	9,458,819	9,867,679	(408,860)
Surplus/ (Deficit)	(\$1,561,469)	\$448,301	(\$275,949)	(\$724,250)

CityNet Services Budget Detail



- ▲ TV content expenses reduced by \$687K
- ▲ Unplanned expenses in FY2019-20
 - Unplanned cybersecurity technology expenses
 - Move the headend to a remote facility
- ▲ Budget Management Measures
 - Reduction to equipment, supplies and overtime
 - A previously approved rate increase took effect April 1, 2020 to respond to cost of doing business
- ▲ City Council action to approve of City Net Services ending the fiscal year with an annual operating deficit

FY2019-20 Financial Projection

Internal Service Funds



	FY2019-20			FY2018-19	
	Adopted Budget	YTD as of 03/31/20	% of Budget	YTD as of 03/31/19	% of Budget
Central Garage					
Revenue	\$883,497	\$607,527	69%	\$440,262	75%
Expenditure	711,437	434,682	61%	534,948	82%
Building & Facilities Maintenance					
Revenue	\$1,805,676	\$1,135,769	63%	\$1,009,447	78%
Expenditure	1,512,032	1,029,177	68%	995,695	79%
Self Insurance					
Revenue	\$2,246,554	\$1,684,926	75%	\$1,685,895	81%
Expenditure	2,445,368	2,390,549	98%	2,235,600	100%
Technology					
Revenue	\$1,012,889	\$624,744	62%	\$532,852	75%
Expenditure	986,868	674,848	68%	569,069	70%



Preliminary FY2020-21 General Fund Budget Deficit Update

FY2020-21 Preliminary General Fund Budget



- Reduction in multiple General Fund revenue sources due to impacts from COVID-19
 - Sales tax – **18%**
 - Transient occupancy tax – **30%**
 - Business license tax – **31%**
 - Reductions in multiple department revenues
- Cost increases related to required PERS contributions, materials, supplies, services and contractual obligations
- Projected deficit of **\$7.9 Million**
- Staff are working on budget balancing strategies to present a balanced budget on May 26, 2020

Takeaways – Q3 Financial Update



■ General Fund

- Reduced economic and developed activity prior to the coronavirus
- Coronavirus and Shelter-in-Place impacts on economic activity and multiple revenue reductions this year into next fiscal year
- At the same time, resident service needs remain and may increase, and must be planned for in the FY2020-21 budget
- Reduced public services, staff vacancies and other identified savings help to balance the budget
- Use of General Fund unappropriated fund balance in FY2019-20 to balance the budget

■ Enterprise & Internal Service Funds

- Normal, expected activity
- CityNet Services significant progress in achieving financial stability

City Council Discussion & Direction



- Receive Quarter 3 Financial Update Report as of March 31, 2020 (No Action)
- Adopt Resolution (Action Required)
 - Amending FY2019-20 Operating and Capital Improvement Budget by Approving Budget Balancing Strategies
 - Approve of the City Net Services Department having a projected operating deficit of \$276,000

Questions

